

**RED OAK
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

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RED OAK COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2010 Meeting)		
Charla Schmid	President	2011
Lee Fellers	Vice President	2011
Paul Griffen		2013
Elizabeth Dilley		2013
Dr Warren Hayes		2009

(After September 2010 Meeting)		
Lee Fellers	President	2011
Charla Schmid	Vice President	2011
Paul Griffen		2013
Elizabeth Dilley		2013
Dr Warren Hayes		2011

School Officials

Terry Schmidt	Superintendent
Shirley Maxwell	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report

To the Board of Education of
Red Oak Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Red Oak Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Red Oak Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

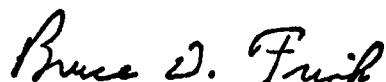
In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2012 on our consideration of Red Oak Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 37 through 39 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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Clarion, IA 50525

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Red Oak Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Bruce D. Frink". The signature is written in a cursive, flowing style.

BRUCE D. FRINK
Certified Public Accountant

February 21, 2012

RED OAK COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Red Oak Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,493,586 in fiscal year 2010 to \$13,586,245 in fiscal year 2011, while General Fund expenditures decreased from \$12,487,154 in fiscal year 2010 to \$12,125,727 in fiscal year 2011.
- The increase in General Fund revenues was primarily due to local and state source revenue increases. The decrease in expenditures was due primarily to cost containment measures.
- The District had a \$1.4 million increase in General Fund balance in fiscal 2011. Allowable growth of 2% or less is inadequate to maintain current programs without using existing reserves. Cost cutting measures have resulted in a decrease in services.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of Statement of Net Assets and a Statement of Activities. These provide information about the activities of Red Oak Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Red Oak Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Red Oak Community School District acts solely as agent or custodian for the benefit of those outside of District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the Student Activity and fiduciary funds as well as a multiyear comparison of revenues and expenditures. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Red Oak Community School District Annual Financial Report

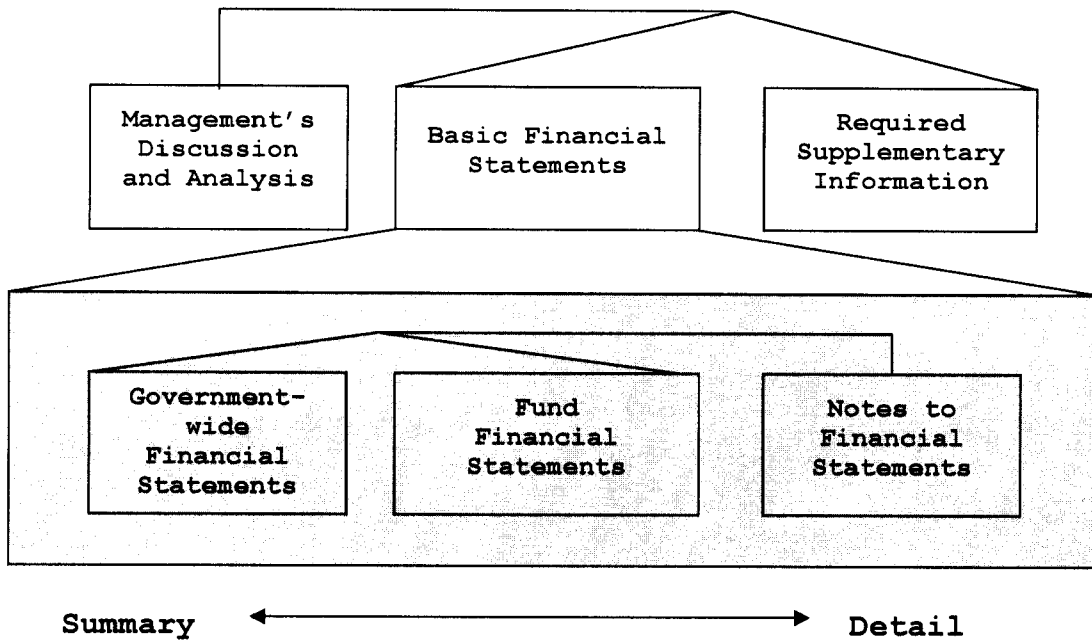


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and student enterprise	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long- term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Debt Service Fund, the Special Revenue Funds and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Enterprise Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to the year ending June 30, 2010.

<p align="center">Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)</p>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current assets	\$ 11,640	8,636	421	409	12,061	9,045	33.34%
Capital assets	9,551	9,719	24	45	9,575	9,764	-1.94%
Total assets	21,191	18,355	445	454	21,636	18,809	15.03%
Current liabilities	6,736	6,398	49	50	6,785	6,448	5.23%
Non-current liabilities	6,360	6,756	-	-	6,360	6,756	-5.86%
Total liabilities	13,096	13,154	49	50	13,145	13,204	-0.45%
Net Assets							
Invested in capital assets, net of related debt	3,371	3,249	24	45	3,395	3,294	3.07%
Restricted	3,178	2,719	-	-	3,178	2,719	16.88%
Unrestricted	1,546	(767)	372	359	1,918	(408)	570.10%
Total net assets	\$ 8,095	5,201	396	404	8,491	5,605	51.49%

The District's combined net assets increased by 51%, or approximately \$2.9 million more than the prior year. The largest portion of the District's net assets is invested in capital assets. The growth came from the increases in the General and Capital Projects Funds. The District is looking at cost containment measures in all funds.

Unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased approximately \$1.3 million. This increase in unrestricted net assets was a result of an increase in the General Fund. Early retirement costs will eventually be paid from the Management Levy, but since we can't recognize future tax levies as receivables, the unrestricted fund balance is forced to be shown as absorbing these costs. See note 12 for a discussion of postemployment health benefits.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4 Changes in Net Assets (Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total School District		Total Change	
2011	2010	2011	2010	2011	2010	2010-2011	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 249	300	174	227	423	527	-19.73%
Operating grants, contributions and restricted interest	3,461	3,618	420	410	3,881	4,028	-3.65%
General revenues:							
Property tax	5,200	4,523	-	-	5,200	4,523	14.97%
Income surtax	893	369	-	-	893	369	142.01%
Statewide sales, service and use tax	831	773	-	-	831	773	7.50%
Unrestricted state grants	5,559	4,563	-	-	5,559	4,563	21.83%
Unrestricted investment earnings	5	8	-	-	5	8	-37.50%
Other	112	111	-	-	112	111	-0.90%
Total revenues	16,310	14,265	594	637	16,904	14,902	13.43%
Program expenses:							
Governmental activities:							
Instruction	8,418	9,082	-	-	8,418	9,082	-7.31%
Support services	3,730	3,606	-	-	3,730	3,606	3.44%
Non-instructional programs	2	-	602	610	604	610	-0.98%
Other expenses	1,265	1,188	-	-	1,265	1,188	6.48%
Total expenses	13,415	13,876	602	610	14,017	14,486	-3.24%
Change in net assets	\$ 2,895	389	(8)	27	2,887	416	993.99%

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 87% of the total expenses. The District continues to focus its resources on areas having the most direct impact on students.

Governmental Activities

Revenues for governmental activities were \$16,309,306 and expenses were \$13,414,585 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenditures, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 8,418	9,082	-7.31%	5,437	5,795	-6.18%
Support services	3,730	3,606	3.44%	3,539	3,512	0.77%
Noninstructional programs	2	-	100.00%	2	-	100.00%
Other expenses	1,265	1,188	6.48%	727	651	11.67%
Totals	\$ 13,415	13,876	-3.32%	9,705	9,958	-2.54%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$249,406.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,325,093.
- The net cost of governmental activities was financed with \$5,199,523 in property taxes and \$5,559,372 in unrestricted state grants (return to 2009 levels).

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$593,890 and expenses totaled \$601,831. The District's business type activities include the School Nutrition Fund and Enterprise Fund. Revenues of these activities were comprised of charges for food service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Red Oak Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,025,185, a \$2 million plus increase over last year's ending fund balances of \$1,934,023. The increase in the General Fund accounted for most of the change.

Governmental Fund Highlights

- The District's General Fund financial position is the result of several factors. The District has carefully monitored spending to avoid decreases in fund balances; however, uncertain funding from state and federal governments continues to make this difficult. The preservation of the General Fund balance is especially important in light of the State's decision to remove the budget guarantee.
- The Capital Projects Fund, Statewide Sales, Service and Use Tax is being used primarily for property tax relief through payment of General Obligation bonds using statewide sales, services and use tax funds rather than property taxes.

Proprietary Fund Highlights

The School Nutrition Fund balance decreased approximately \$6,500 during the fiscal year ending June 30, 2011. This was primarily a result of decreased revenues.

BUDGETARY HIGHLIGHTS

The District's receipts were \$565,765 less than budgeted receipts, a variance of 3%. This variance resulted from the District receiving less state and local source revenues than anticipated.

Total expenditures were less than budgeted in total. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$9,574,824, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expenses for the year were \$586,427.

The original cost of the District's capital assets was \$16,572,995. Governmental funds account for \$16,305,074, with the remainder of \$267,921 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the equipment progress category. The District spent \$396,268 on fixed assets during the year.

Figure A-6							
Capital Assets, net of Depreciation							
(Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total District		Total Change	
June 30,		June 30,		June 30,		June 30,	
2011	2010	2011	2010	2011	2010	200-2011	
Land	\$ 191	179	-	-	191	179	6.70%
Buildings	9,097	9,541	-	-	9,097	9,541	-4.65%
Furniture and equipment	263	127	24	53	287	180	59.44%
z							
Totals	\$ 9,551	9,847	24	53	9,575	9,900	-3.28%

Long-term Debt

The District has outstanding debt of \$5,885,000 for a new elementary school and additions to other buildings. The bonds will be paid off in the year 2020. Proceeds of the statewide sales, services and use tax and Physical Plant and Equipment Levy are being used to make payments on the debt, thus lessening the amount of property tax levied.

In 2010, the District refinanced its debt which should save over \$500,000 during the life of the bonds.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future.

- The District continues to receive statewide sales, services and use tax money. These funds are being used for debt reduction resulting in property tax relief for the taxpayers. The District also uses proceeds from the voted portion of the Physical Plant and Equipment Levy for debt reductions.

- Allowable growth as set by the Legislature is inadequate for the District to maintain its current programs without dipping into existing reserves.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", "GASB 34", reduction in state aid for juvenile homes and the unfunded PSEO mandate to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shirley Maxwell, District Secretary, Red Oak Community School District, 904 Broad Street, Red Oak, Iowa 51566.

Basic Financial Statements

RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 4,977,518	407,974	5,385,492
Receivables:			
Property tax:			
Current year	73,901	-	73,901
Succeeding year	5,206,847	-	5,206,847
Income surtaxes	906,899	-	906,899
Due from other governments	304,613	-	304,613
Other receivables	170,401	425	170,826
Inventories	-	12,401	12,401
Capital assets, net of accumulated depreciation	9,551,062	23,762	9,574,824
Total assets	<u>21,191,241</u>	<u>444,562</u>	<u>21,635,803</u>
Liabilities			
Accounts payable	206,250	850	207,100
Accrued salary and benefits	1,236,535	40,888	1,277,423
Accrued interest payable	27,472	-	27,472
Unearned revenues	-	6,932	6,932
Deferred revenue:			
Federal programs	58,463	-	58,463
Succeeding year property tax	5,206,847	-	5,206,847
Long term liabilities:			
Portion due within one year:			
Bonds payable	595,000	-	595,000
Bus lease payable	69,119	-	69,119
Early retirement	51,326	-	51,326
Portion due after one year:			
Net OPEB liability	128,372	-	128,372
Bus lease payable	226,385	-	226,385
Bonds payable	5,290,000	-	5,290,000
Total liabilities	<u>13,095,769</u>	<u>48,670</u>	<u>13,144,439</u>
Net assets			
Invested in capital assets, net of related debt	3,370,558	23,762	3,394,320
Restricted for:			
Categorical funding	182,839	-	182,839
Student activities	207,592	-	207,592
Management levy purposes	184,280	-	184,280
Physical plant and equipment	1,383,501	-	1,383,501
School infrastructure	1,220,399	-	1,220,399
Unrestricted	1,546,303	372,130	1,918,433
Total net assets	<u>\$ 8,095,472</u>	<u>395,892</u>	<u>8,491,364</u>

See notes to financial statements.

RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction	\$ 8,417,715	219,149	2,761,757	(5,436,809)	-	(5,436,809)
Support services:						
Student services	375,600	-	-	(375,600)	-	(375,600)
Instructional staff services	788,305	-	-	(788,305)	-	(788,305)
Administration services	1,118,605	-	-	(1,118,605)	-	(1,118,605)
Operation and maintenance of plant services	1,007,609	-	160,702	(846,907)	-	(846,907)
Transportation services	439,609	30,257	-	(409,352)	-	(409,352)
	3,729,728	30,257	160,702	(3,538,769)	-	(3,538,769)
Non-instructional programs	1,632	-	-	(1,632)	-	(1,632)
Other expenditures:						
Facilities acquisition and construction	48,094	-	6,719	(41,375)	-	(41,375)
Long-term debt interest	168,045	-	352	(167,693)	-	(167,693)
Long-term debt services	450	-	-	(450)	-	(450)
AEA flowthrough	530,993	-	530,993	-	-	-
Depreciation (unallocated)*	517,928	-	-	(517,928)	-	(517,928)
	1,265,510	-	538,064	(727,446)	-	(727,446)
Total governmental activities	13,414,585	249,406	3,460,523	(9,704,656)	-	(9,704,656)

RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Total
Business type activities:				
Non-instructional programs:				
Nutrition services	596,218	170,267	419,372	(6,579)
Enterprise	5,613	4,251	-	(1,362)
Total business type activities	<u>\$ 14,016,416</u>	<u>423,924</u>	<u>3,879,895</u>	<u>(9,712,597)</u>
General Revenues:				
Property tax levied for:				
General purposes				4,638,764
Management fund				449,733
Capital outlay				111,026
Income surtaxes				-
General purposes				525,407
Capital outlay				367,759
Statewide sales, services and use tax				830,891
Unrestricted state grants				5,559,372
Unrestricted investment earnings				4,756
Other				111,669
Total general revenues			<u>12,599,377</u>	<u>12,599,377</u>
Change in net assets				(7,941)
Net assets beginning of year				2,886,780
Net assets end of year			<u>5,200,751</u>	<u>5,604,584</u>
			<u>\$ 8,095,472</u>	<u>8,491,364</u>

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

RED OAK COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

Assets

Cash and pooled investments
Receivables:
Property tax:
 Current year
 Succeeding year
Income surtax - succeeding year
Due from other governments
Other receivables

Total assets

	General	Student Activity	Management Levy	Capital Projects			Total
				Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy		
\$ 2,153,916	211,496	229,445	1,150,425	1,232,236			4,977,518
65,926	-	6,392	-	1,583			73,901
4,544,828	-	500,000	-	162,019			5,206,847
525,047	-	-	-	381,852			906,899
71,537	-	-	233,076	-			304,613
170,401	-	-	-	-			170,401
<u>\$ 7,531,655</u>	<u>211,496</u>	<u>735,837</u>	<u>1,383,501</u>	<u>1,777,690</u>			<u>11,640,179</u>

RED OAK COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

Liabilities and Fund Balances

Liabilities:

Accounts payable	\$ 188,695	3,904	231	-	-	13,420	206,250
Accrued salary and benefits	1,236,535	-	-	-	-	-	1,236,535
Deferred revenue:							
Federal programs	58,463	-	-	-	-	-	58,463
Succeeding year property tax	4,544,828	-	500,000	-	-	162,019	5,206,847
Income surtax - succeeding year	525,047	-	-	-	-	381,852	906,899
Total liabilities	6,553,568	3,904	500,231	-	-	557,291	7,614,994

Fund balances:

Restricted for:							
Categorical funding	182,839	-	-	-	-	-	182,839
Student activities	-	207,592	-	-	-	-	207,592
Management levy purposes	-	-	235,606	-	-	-	235,606
School infrastructure	-	-	-	1,383,501	-	-	1,383,501
Physical plant and equipment levy	-	-	-	-	1,220,399	-	1,220,399
Committed	11,289	-	-	-	-	-	11,289
Assigned	20,385	-	-	-	-	-	20,385
Unassigned	763,574	-	-	-	-	-	763,574
Total fund balances	978,087	207,592	235,606	1,383,501	1,220,399	-	4,025,185
Total liabilities and fund balances	\$ 7,531,655	211,496	735,837	1,383,501	1,777,690	-	11,640,179

See notes to financial statements.

RED OAK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (Exhibit C)	\$ 4,025,185
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Income surtax receivable at June 30, 2011 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	906,899
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,551,062
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(27,472)
Long-term liabilities, including bonds payable, early retirement, and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(6,360,202)</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 8,095,472</u>

See notes to financial statements.

RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy				
Revenues:									
Local sources:									
Local tax	\$ 4,638,764	-	449,733	830,891	429,883		-	-	6,349,271
Tuition	219,149	-	-	-	-		-	-	219,149
Other	312,874	264,172	42,880	6,719	117,822		352	352	744,819
State sources	7,296,832	-	-	-	-		-	-	7,296,832
Federal sources	1,118,626	-	-	-	-		-	-	1,118,626
Total revenues	13,586,245	264,172	492,613	837,610	547,705		352	352	15,728,697
Expenditures:									
Instruction	8,016,848	249,513	257,937	-	-		-	-	8,524,298
Support services:									
Student services	375,600	-	-	-	-		-	-	375,600
Instructional staff services	794,288	-	2,537	-	6,798		-	-	803,623
Administration services	1,068,874	-	49,731	-	-		-	-	1,118,605
Operation and maintenance of plant services	956,577	-	40,979	-	10,053		-	-	1,007,609
Transportation services	382,547	-	10,889	-	369,380		-	-	762,816
	3,577,886	-	104,136	-	386,231		-	-	4,068,253
Noninstructional programs:									
Food service operations	-	-	1,632	-	-		-	-	1,632

RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy				
Other expenditures:									
Facilities acquisition and construction	-	-	-	-	59,664			-	59,664
Long-term debt:									
Principal	-	-	-	-	-			585,000	585,000
Interest	-	-	-	-	-			169,049	169,049
Services	-	-	-	-	-			450	450
AEA flowthrough	530,993	-	-	-	-			-	530,993
	530,993	-	-	-	59,664			754,499	1,345,156
Total expenditures	12,125,727	249,513	363,705	-	445,895			754,499	13,939,339
Excess (deficiency) of revenues over (under) expenditures	1,460,518	14,659	128,908	837,610	101,810			(754,147)	1,789,358
Other financing sources (uses):									
Sale of equipment and property	6,300	-	-	-	-			-	6,300
Bus loan proceeds	-	-	-	-	295,504			-	295,504
Operating transfers in	-	-	-	-	-			749,411	749,411
Operating transfers out	-	-	-	(353,856)	(395,555)			-	(749,411)
	6,300	-	-	(353,856)	(100,051)			749,411	301,804
Change in fund balances	1,466,818	14,659	128,908	483,754	1,759			(4,736)	2,091,162
Fund balances beginning of year	(488,731)	192,933	106,698	899,747	1,218,640			4,736	1,934,023
Fund balances end of year	\$ 978,087	207,592	235,606	1,383,501	1,220,399			-	4,025,185

See notes to financial statements.

RED OAK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit E) \$ 2,091,162

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities. This represents the change from the prior fiscal year.

574,309

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 396,268	
Depreciation expense	<u>(564,101)</u>	(167,833)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.

Issued	(295,504)	
Repaid	<u>585,000</u>	289,496

Some expenses reported in the Statement of Activities do not require the use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	171,084	
Other postemployment benefits	<u>(64,501)</u>	106,583

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,004

Change in net assets of governmental activities (Exhibit B) \$ 2,894,721

See notes to financial statements.

RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

Year ended June 30, 2011

	<u>School Nutrition</u>	<u>Enterprise</u>	<u>Total</u>
Assets			
Cash	\$ 396,169	11,805	407,974
Other receivables	425	-	425
Inventories	12,401	-	12,401
Capital assets, net of accumulated depreciation	<u>23,762</u>	<u>-</u>	<u>23,762</u>
Total assets	<u>432,757</u>	<u>11,805</u>	<u>444,562</u>
Liabilities			
Accounts payable	850	-	850
Unearned revenues	6,932	-	6,932
Accrued salary and benefits	<u>40,888</u>	<u>-</u>	<u>40,888</u>
Total liabilities	<u>48,670</u>	<u>-</u>	<u>48,670</u>
Net assets			
Invested in capital assets, net of related debt	23,762	-	23,762
Unrestricted	<u>360,325</u>	<u>11,805</u>	<u>372,130</u>
Total net assets	<u>\$ 384,087</u>	<u>11,805</u>	<u>395,892</u>

See notes to financial statements.

RED OAK COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2011

	<u>School Nutrition</u>	<u>Enterprise</u>	<u>Total</u>
Operating revenue:			
Local sources:			
Charges for services	\$ 170,267	4,251	174,518
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	191,830	-	191,830
Benefits	97,710	-	97,710
Services	21,283	-	21,283
Supplies	263,069	-	263,069
Depreciation	22,326	-	22,326
	<u>596,218</u>	<u>-</u>	<u>596,218</u>
Other enterprise operations:			
Services	-	5,613	5,613
Total operating expenses	<u>596,218</u>	<u>5,613</u>	<u>601,831</u>
Operating (loss)	<u>(425,951)</u>	<u>(1,362)</u>	<u>(427,313)</u>
Non-operating revenues:			
Interest on investments	2,731	-	2,731
State sources	5,470	-	5,470
Federal sources	411,171	-	411,171
	<u>419,372</u>	<u>-</u>	<u>419,372</u>
Change in fund net assets	(6,579)	(1,362)	(7,941)
Net assets beginning of year	<u>390,666</u>	<u>13,167</u>	<u>403,833</u>
Net assets end of year	<u>\$ 384,087</u>	<u>11,805</u>	<u>395,892</u>

See notes to financial statements.

RED OAK COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	School Nutrition	Enterprise Fund	Total
Cash flows from operating activities:			
Cash received from sale of services	\$ 170,932	4,251	175,183
Cash payments to employees for services	(290,044)	-	(290,044)
Cash payments to suppliers for goods or services	(248,710)	(5,613)	(254,323)
Net cash (used by) operating activities	(367,822)	(1,362)	(369,184)
Cash flows from non-capital financing activities:			
State grants received	5,470	-	5,470
Federal grants received	370,688	-	370,688
Net cash provided by non-capital financing activities	376,158	-	376,158
Cash flows from capital financing activities:			
Acquisition of capital assets	(1,049)	-	(1,049)
Cash flows from investing activities:			
Interest on investments	2,731	-	2,731
Net increase (decrease) in cash and cash equivalents	10,018	(1,362)	8,656
Cash and cash equivalents beginning of year	386,151	13,167	399,318
Cash and cash equivalents end of year	\$ 396,169	11,805	407,974
Reconciliation of operating (loss) to net cash (used by) operating activities:			
Operating (loss)	\$ (425,951)	(1,362)	(427,313)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:			
Depreciation	22,326	-	22,326
Commodities used	40,483	-	40,483
Decrease in other receivables	119	-	119
(Increase) in inventory	(3,678)	-	(3,678)
(Decrease) in accounts payable	(1,163)	-	(1,163)
Increase in unearned revenue	546	-	546
(Decrease) in accrued payroll and benefits	(504)	-	(504)
	<u>\$ (367,822)</u>	<u>(1,362)</u>	<u>(369,184)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received federal commodities valued at \$40,483.

See notes to financial statements.

RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trusts
	<u> </u>
Assets	
Cash	\$ 217,080
	<u> </u>
Total assets	<u>217,080</u>
Net Assets	
Reserved for scholarships	<u>217,080</u>
	<u> </u>
Total net assets	<u><u>\$ 217,080</u></u>

See notes to financial statements.

RED OAK COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	<u>Private Purpose Trusts</u>
Additions:	
Local sources:	
Miscellaneous	\$ 18,847
Deductions:	
Support services:	
Scholarships awarded	<u>5,750</u>
Change in net assets	13,097
Net assets beginning of year	<u>203,983</u>
Net assets end of year	<u><u>\$ 217,080</u></u>

See notes to financial statements.

RED OAK COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Red Oak Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Red Oak, Iowa, and agricultural area in Montgomery, Page and Pottawattamie Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Red Oak Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Red Oak Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Montgomery County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributed to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operation fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Capital Projects Fund, Physical Plant and Equipment Levy, is used to account for the purchase of equipment and the repairing, remodeling and construction of buildings and land improvements.

The Capital Projects Fund, Statewide Sales, Services and Use Tax, is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The District's proprietary funds are the School Nutrition and Enterprise Funds. The School Nutrition Fund is used to account for the food service operations of the District. The Enterprise Fund is used to account for a student operated business.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus". The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. The District had no intangible assets that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	150,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which are payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied as well as unspent grant proceeds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2011.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the District intends to use for a specific purpose; intent can be expressed by the Board of Education or by the Superintendent.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had no investments.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 179,360	11,570	-	190,930
Capital assets being depreciated:				
Buildings	13,939,575	-	-	13,939,575
Furniture and Equipment	1,789,871	384,698	-	2,174,569
Total capital assets being depreciated	15,729,446	384,698	-	16,114,144
Less accumulated depreciation for:				
Buildings	4,569,999	273,339	-	4,843,338
Furniture and Equipment	1,619,912	290,762	-	1,910,674
Total accumulated depreciation	6,189,911	564,101	-	6,754,012
Total capital assets being depreciated, net	9,539,535	(179,403)	-	9,360,132
Governmental activities, capital assets, net	\$ 9,718,895	(167,833)	-	9,551,062
Business type activities				
Furniture and Equipment	\$ 266,872	1,049	-	267,921
Less accumulated depreciation	221,833	22,326	-	244,159
Business type activities capital assets, net	\$ 45,039	(21,277)	-	23,762

Depreciation expense was charged to the following functions:

Governmental activities:		
Transportation		\$ 46,173
Unallocated		517,928
		<u>\$ 564,101</u>
Business type activities:		
Food service operations		<u>\$ 22,326</u>

(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	<u>Balance Beginning Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Bus Loan Payable	\$ -	295,504	-	295,504	69,119
Net OPEB Liability	63,871	64,501	-	128,372	-
Early Retirement	222,410	51,326	222,410	51,326	51,326
General Obligation Bonds	<u>6,470,000</u>	<u>-</u>	<u>585,000</u>	<u>5,885,000</u>	<u>595,000</u>
Total	<u>\$6,756,281</u>	<u>411,331</u>	<u>807,410</u>	<u>6,360,202</u>	<u>715,445</u>

Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2012	1.50-1.50%	\$162,078	595,000	757,078
2013	2.00-2.00	152,365	600,000	752,365
2014	2.50-2.50	139,552	615,000	754,252
2015	2.50-2.50	124,115	625,000	749,115
2016	2.75-2.80	107,965	645,000	752,965
2017	2.90-3.10	89,680	660,000	749,680
2018	3.20-3.30	69,145	690,000	759,145
2019	3.40-3.55	46,205	710,000	756,205
2020	3.65-3.75	<u>20,815</u>	<u>745,000</u>	<u>765,815</u>
Total		<u>\$911,920</u>	<u>5,885,000</u>	<u>6,796,920</u>

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$471,523, \$488,471, and \$463,283 respectively, equal to the required contributions for each year.

(6) Risk Management

Red Oak Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$530,993 for year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Interfund Transfers

The detail of interfund transfers for the year ending June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	Capital projects,	
	Statewide Sales, Services and Use Tax	\$353,856
	Physical Plant and Equipment Levy	<u>395,555</u>
	Total	<u>\$749,411</u>

(9) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants was 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2010-11A	6/30/10	6/23/11	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

During the year ended June 30, 2011, the District paid \$7,120 of interest on the ISCAP warrants.

(10) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 169 active and 12 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 95,090
Interest on net OPEB obligation	1,597
Adjustment to annual required contribution	(8,504)
Annual OPEB cost	88,183
Contributions made	(23,682)
Increase in net OPEB obligation	64,501
Net OPEB obligation beginning of year	63,871
Net OPEB obligation end of year	<u>\$128,372</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$23,682 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$88,123	27.5%	\$ 63,871
June 30, 2011	\$95,090	24.9%	\$128,372

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$654,114, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$654,114. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,910,000 and the ratio of the UAAL to covered payroll was 9.5%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(11) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects, Physical Plant and Equipment Levy	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ -	1,218,640
Change in fund type classification per implementation of GASB Statement No. 54	<u>1,218,640</u>	<u>(1,218,640)</u>
Balances July 1, 2010, as restated	<u>\$1,218,640</u>	<u>-</u>

Required Supplementary Information

RED OAK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 7,313,239	177,249	7,490,488	7,981,145	7,981,145	(490,657)
State sources	7,296,832	5,470	7,302,302	7,992,207	7,992,207	(689,905)
Federal sources	1,118,626	411,171	1,529,797	915,000	915,000	614,797
Total revenues	<u>15,728,697</u>	<u>593,890</u>	<u>16,322,587</u>	<u>16,888,352</u>	<u>16,888,352</u>	<u>(565,765)</u>
Expenditures/Expenses:						
Instruction	8,524,298	-	8,524,298	10,174,770	10,174,770	1,650,472
Support services	4,068,253	-	4,068,253	4,259,217	4,259,217	190,964
Non-instructional programs	1,632	601,831	603,463	1,018,614	1,018,614	415,151
Other expenditures	1,345,156	-	1,345,156	2,850,347	2,850,347	1,505,191
Total expenditures/expenses	<u>13,939,339</u>	<u>601,831</u>	<u>14,541,170</u>	<u>18,302,948</u>	<u>18,302,948</u>	<u>3,761,778</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	1,789,358	(7,941)	1,781,417	(1,414,596)	(1,414,596)	3,196,013
Other financing sources (uses)	<u>301,804</u>	<u>-</u>	<u>301,804</u>	<u>-</u>	<u>-</u>	<u>301,804</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	2,091,162	(7,941)	2,083,221	(1,414,596)	(1,414,596)	3,497,817
Balance beginning of year	<u>1,934,023</u>	<u>403,833</u>	<u>2,337,856</u>	<u>1,637,751</u>	<u>1,637,751</u>	<u>700,105</u>
Balance end of year	<u>\$ 4,025,185</u>	<u>395,892</u>	<u>4,421,077</u>	<u>223,155</u>	<u>223,155</u>	<u>4,197,922</u>

See accompanying independent auditor's report.

RED OAK COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

RED OAK COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2010	Jul 1, 2009	\$0	\$654	\$654	0.0%	\$7,531	8.7%
2011	Jul 1, 2009	\$0	\$654	\$654	0.0%	\$6,910	9.5%

See Note 10 in the accompanying Notes to Financial Statements for the plan description,
funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

RED OAK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
SH Athletics	\$ 17,058	107,388	87,977	36,469
SH Band	-	5,932	3,510	2,422
SH Drama	3,795	1,249	1,915	3,129
SH FBLA	-	905	373	532
SH FFA	1,237	14,701	13,708	2,230
SH FCCLA	-	1,419	1,419	-
SH Music Trip	-	-	-	-
SH FHA	717	-	(10)	727
SH International Club	1,220	434	538	1,116
SH General	1,044	2,977	3,005	1,016
SH Graduation	34	-	-	34
SH Junior Class	741	6,102	5,505	1,338
SH Locks	-	-	-	-
SH Media	325	17	(1)	343
SH Protech Class	358	-	-	358
HS Music Trip	8	-	-	8
SH Senior Class	1,554	3,607	2,302	2,859
SH Speech	-	-	-	-
SH Student Council	1,925	2,544	2,246	2,223
SH Towels	-	-	-	-
SH Vocal Music	6,416	15,562	14,313	7,665
SH Yearbook	24,184	7,551	9,467	22,268
SH Environmental Club	211	-	211	-
MS Band	3,073	7,474	6,116	4,431
MS Drama	5,298	2,604	1,849	6,053
MS Music	383	-	263	120
MS Art Club	-	448	255	193
MS FHA	54	-	54	-
MS General	11,465	4,034	8,078	7,421
MS Science	1,117	-	-	1,117
MS Media	2,054	2,577	2,422	2,209
MS Student Council	9,430	17,141	19,099	7,472
MS Vending	3,841	-	-	3,841
MS Yearbook	449	1,428	1,342	535
MS FCCLA	-	201	-	201
4-5 General	8,204	1,416	641	8,979
4-5 Media	810	-	15	795
4-5 Vending	731	-	254	477
K-3 General	17,003	4,222	1,981	19,244
K-3 Media	1,290	11,572	9,503	3,359
K-12 Petty Cash	44	-	-	44
K-12 Interest	51,261	1,318	6,542	46,037
K-12 General	3,964	76	490	3,550
SH General Resale	373	-	-	373
Booster Club	-	15,376	15,376	-

RED OAK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Band Boosters	1,383	927	2,229	81
Love Our Kids	1,189	-	-	1,189
SH Minnisingers	236	800	438	598
Cheerleader Club	2,641	10,478	12,866	253
SH Wrestling Cheerleader Club	1,012	1,481	2,231	262
MS Team 6	53	-	-	53
MS Team 7	1,269	-	161	1,108
MS Team 8	743	-	30	713
Band Boosters Fiesta Bowl	1,039	9,677	10,220	496
Student Needs	340	-	-	340
SH Letterman's Club	735	190	123	802
Dance Team	267	344	457	154
K-12 Special Olympics	355	-	-	355
Total	192,933	264,172	249,513	207,592

RED OAK COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Fiduciary Funds - Private Purpose Trusts

June 30, 2011

	Anderson Scholarship	Stanley Plank Scholarship	Klopping Trust	Bloom Scholarship	Lowell G. and Blanche Kinnison Scholarship	Leland Peterson Scholarship	Class of 38 Scholarship	Murphy Scholarship	CG & Aluia K Lingo Memorial Scholarship	Total
Assets										
Cash	\$ 42	10,187	22,803	20,324	5,314	2,144	419	16,205	139,642	217,080
Total assets	42	10,187	22,803	20,324	5,314	2,144	419	16,205	139,642	217,080
Net assets										
Reserved for scholarships	\$ 42	10,187	22,803	20,324	5,314	2,144	419	16,205	139,642	217,080

See accompanying independent auditor's report.

RED OAK COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Private Purpose Trusts

Year ended June 30, 2011

	Anderson Scholarship	Stanley Plank Scholarship	Klopping Trust	Bloom Scholarship	Lowell G. and Blanche Kinnison Scholarship	Leland Peterson Scholarship	Class of 38 Scholarship	Murphy Scholarship	CG & Aluia K Lingo Memorial Scholarship	Total
Revenues:										
Local sources:										
Interest on investments	\$ -	131	416	270	61	26	1	-	1,637	2,542
Contributions	-	-	-	-	-	-	100	16,205	-	16,305
	-	131	416	270	61	26	101	16,205	1,637	18,847
Expenditures:										
Instruction:										
Regular instruction:	-	200	500	100	500	1,000	750	-	2,700	5,750
Other										
Excess (deficiency) of revenues over (under) expenditures	-	(69)	(84)	170	(439)	(974)	(649)	16,205	(1,063)	13,097
Balance beginning of year	42	10,256	22,887	20,154	5,753	3,118	1,068	-	140,705	203,983
Balance end of year	\$ 42	10,187	22,803	20,324	5,314	2,144	419	16,205	139,642	217,080

See accompanying independent auditor's report.

RED OAK COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY11	\$ 81,212
Summer Food Service Program for Children	10.559	FY11	14,282
Food Distribution (non-cash)	10.555	FY11	40,483
National School Lunch Program	10.555	FY11	275,399
			<u>411,376</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY11	265,934
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	82,917
			<u>348,851</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY11	69,265
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	FY11	61,781
Improving Teacher Quality - Grants to States	84.367	FY11	64,710
Education Jobs Fund	84.410	FY11	263,189
Grants for Assessments and Related Activities	84.369	FY11	7,781
Vocational Education - Basic Grants to States	84.048	FY11	36,894
Special Education - Grants to States (Part B Section 611) (High Cost Claims)	84.027	FY11	45,194
Green Valley Area Education Agency:			
Special Education - Grants to States (IDEA Part B)	84.027	FY11	68,157
ARRA - Special Education Grants to States, Recovery Act	84.391	FY11	10,817
Total			<u>\$ 1,388,015</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Red Oak Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basis financial statements.

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants

- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation

- Year Round Tax Planning

- Payroll & Sales Tax Preparation

- I.R.S. Representation

- Monthly/Quarterly Write-Up

- Data Processing Services

- Payroll Preparation

- Financial Statement Preparation

- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience

- Evenings & Saturdays Available by Appointment

- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Board of Education of the
Red Oak Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Red Oak Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 21, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Red Oak Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Red Oak Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Red Oak Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

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Compliance and Other Matters

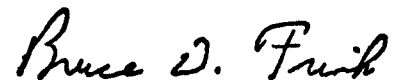
As part of obtaining reasonable assurance about whether Red Oak Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Red Oak Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Red Oak Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Red Oak Community School District and other parties to whom Red Oak Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Red Oak Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

February 21, 2012

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Red Oak Community School District:

Compliance

We have audited the compliance of Red Oak Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Red Oak Community School District's major federal programs for the year ended June 30, 2011. Red Oak Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Red Oak Community School District's management. Our responsibility is to express an opinion on Red Oak Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Red Oak Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Red Oak Community School District's compliance with those requirements.

In our opinion, Red Oak Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

The management of Red Oak Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Red Oak Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Red Oak Community School District's internal control over compliance.

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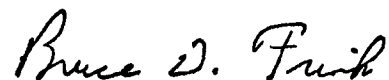
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bruce@frinkcpa.com

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

Red Oak Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Red Oak Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Red Oak Community School District and other parties to whom Red Oak Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



BRUCE D. FRINK
Certified Public Accountant

February 21, 2012

RED OAK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Title I Cluster programs:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 - ARRA - Title I Grants to Local Educational Agencies, Recovery Act
 - Clustered programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program (including non-cash items)
 - CFDA Number 10.559 - Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Red Oak Community School District did not qualify as a low-risk auditee.

RED OAK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

- II-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

- II-B-11 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

RED OAK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number: 84.010 Title I Grants to Local Educational Agencies
CFDA Number: 84.389 ARRA - Title I Grants to Local Educational Agencies, Recovery Act
Federal Award Year: 2011
US Department of Education
Passed through Iowa Department of Education

CFDA Number: 10.553 School Breakfast Program
10.555 National School Lunch Program (including non-cash items)
10.559 Summer Food Service Program for Children
Federal Award Year: 2011
US Department of Agriculture
Passed through Iowa Department of Education

III-A-11 Segregation of Duties over Federal Funds - One important aspect of internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult as the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response and Corrective Action Planned - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

RED OAK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:
(continued):

- IV-A-11 Certified Budget - During the year ended June 30, 2011, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.
- IV-B-11 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-11 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-11 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-11 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-H-11 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-I-11 Certified Enrollment - The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form of October 2010 was overstated. The District's certified enrollment count included 2 students on line 1 who were not enrolled on count day. This resulted in overstating the total actual enrollment at line 7 by 2 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

- IV-J-11 Supplementary Weighting - The number of Limited English Proficient students reported to the Iowa Department of Education on row 13 of the Certified Enrollment Certification Form of October was overstated. The District's certified enrollment count included 2 students who had exceeded 4 years allowable. This resulted in overstating the total weighting on row 13 by .44 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We have been in contact with the Iowa Department of Education and agree to the proposed changes.

Conclusion - Response accepted.

RED OAK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:
(continued):

- IV-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 899,747
Revenues/transfers in:		
Sales tax revenues	\$830,891	
Other local revenues	<u>6,719</u>	<u>837,610</u>
		1,737,357
Expenditures/transfers out:		
Transfers to other funds:		
Debt service fund		<u>353,856</u>
Ending balance		<u>\$1,383,501</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

	Rate of Levy Reduction Per \$1,000 Of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	<u>\$1.22</u>	<u>\$353,856</u>